

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3538-01
BILL NO.: HB 1437
SUBJECT: Revenue Department; Taxation and Revenue.
TYPE: #Updated
DATE: February 22, 2000
#Updated to reflect new information

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(unknown)	(unknown)	(unknown)
School District Trust	(unknown)	(unknown)	(unknown)
Conservation	(unknown)	(unknown)	(unknown)
Parks and Soil	(unknown)	(unknown)	(unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(expected to be more than \$100,000)	(expected to be more than \$100,000)	(expected to be more than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	(unknown)	(unknown)	(unknown)

Numbers within parentheses: () indicate costs or losses
This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this proposal exempts mandatory gratuities from sales tax. They assume the administrative impact would consist of an informational mailing, which would be absorbed into the department's budget. The DOR also states that the fiscal impact of this proposal is unknown.

Officials from the **Office of Administration - Budget and Planning (OA)** state that nationally, personal consumption expenditures on "Purchased Meals and Beverages" were \$334.7 billion in 1998. Assuming a 5 percent growth rate, this amount would be \$387.5 billion by 2001. Further assuming that Missouri represents 1.9 percent of this total, then Missouri's spending on "Purchased Meals and Beverages" in 2001 will be \$7.36 billion, which includes gratuities. The Office of Administration, however, has no basis for estimating what percent of this total constitutes mandatory gratuities.

#Oversight assumes that if \$7.36 billion represents purchased meals and beverages in Missouri, \$96 million of this amount (15%) would likely approximate total gratuities paid. Of the \$96 million, only a fraction would constitute mandatory gratuities. For instance, if 10% of total gratuities were mandatory, \$9.6 million would become sales tax exempt under this proposal at a sales tax rate of 4.225%. This would equal a state revenue loss of \$405,600. However, since Oversight does not possess data regarding the incidence of mandatory gratuities, revenue losses have been stated as unknown, expected to exceed \$100,000 annually to all affected funds.

This proposal would result in a minimal decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>Loss to State Funds:</u>			
General Revenue Fund	(unknown)	(unknown)	(unknown)
School District Trust Fund	(unknown)	(unknown)	(unknown)
Conservation Sales Tax Fund	(unknown)	(unknown)	(unknown)
Parks and Soil Sales Tax Fund	(unknown)	(unknown)	(unknown)

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FISCAL IMPACT - Local Government

FY 2001 (10 Mo.)	FY 2002	FY 2003
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<u>Loss</u> to Political Subdivisions	(unknown)	(unknown)	(unknown)
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FISCAL IMPACT - Small Business

Small businesses in the food and drink industry may be minimally impacted from this proposal because of the change in filing and tax payment requirements

DESCRIPTION

This proposal allows charges of mandatory gratuities incident to the serving of food or beverage to be excluded from gross receipts in the calculation of sales and use tax owed by a seller.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Budget and Planning



Jeanne Jarrett, CPA
Director
February 22, 2000